

# Reinsurance Programs

Healthy Wisconsin

September 6, 2006

# Wisconsin Health Care Reinsurance Market

# Summary Wisconsin Insurance

- Group coverage primarily provided through HMOs
- Individuals and ASO's coverage primarily provided through PPPs
- Average growth in premiums for group business has slowed
- Coverage for some benefits mandated by law

# Wis Reinsurance Market

- ETF (state employees), MA, HIRSP - No Reinsurance
- ETF local government pool WPS provided reinsurance
- Family Care CMO risk sharing between state and CMO
- Hospital Medicaid and Medicare outlier payments.

# Wisconsin Models of Reinsurance

# Unemployment Insurance

- Wisconsin became first state to implement an unemployment insurance program in 1932.
- The program was designed as a temporary source of income for workers laid off from their jobs.
- Almost all employers are required to pay into the Unemployment insurance Reserve Fund based on their level of employment.

# Workers' Compensation

- Almost all employees in Wisconsin are covered by the Wisconsin Worker's Compensation Insurance program.
- Workers with job-related injuries receive compensation for medical care and wage replacement.
- Coverage is purchased in advance by employers.

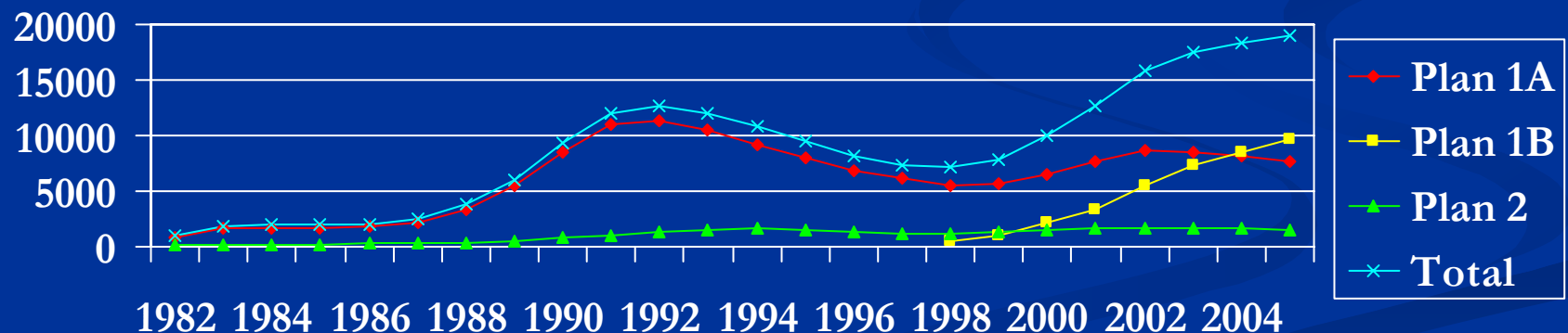
# Patient's Compensation Fund

- Created in 1975 to provide excess medical malpractice coverage for health care providers.
- Provides compensation for claimants whose economic damages exceed the provider's liability insurance (\$1 million per occurrence or \$3 million annual aggregate).
- Provider participation is mandatory, with a few exceptions.
- Funded with annual provider assessments and investment income.
- Provider premiums vary based on level of risk.



# Health Insurance Risk Sharing Plan (HIRSP)

- Individual coverage for those unable to obtain coverage in private market. Plan administered by HIRSP authority
- Policyholders pay 60%, Insurers 20%, Providers 20%
- Benefits in law, subsidies for low-income policyholders
- Community Rates vary by age, sex, region



# HEALTHY WISCONSIN COUNCIL WISCONSIN HEALTH INSURANCE RISK SHARING PLAN (HIRSP) Model

Target Population: Uninsurable individuals



HIRSP Authority offers on guaranteed issue basis under state law.  
State Insurance Commissioner must approve premiums and benefit design.



**SUBSIDIZED POPULATION:  
LOW-INCOME INDIVIDUALS (<\$25,000)**

**UNSUBSIDIZED POPULATION:  
(>\$25,000)**

Benefits funded by federal grant with remaining deficit covered by 60% premiums, 20% insurer assessments\*, and 20% provider discounts.  
Premium subsidy funded by 50% insurer assessments\* and 50% provider discount.

## PRIMARY PLAN

Defined in State Statute

Designed by the HIRSP Authority to meet legislatively-defined guidelines of coverage and affordability.

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## PRIMARY PLAN

Defined in State Statute

Designed by the HIRSP Authority to meet legislatively-defined guidelines of coverage and affordability.

\* Insurers receive \$5 million in annual tax credits against the assessment.

# Health Care Reform and Reinsurance in Other States

# Market Reforms

- Community Rating (modified or pure)
- Guaranteed Issue
- Mandatory participation of insurers

# Medicaid Reforms

- Increase use of managed care
- Expand coverage to poorest families
- Make insurance available to all children
- Emphasize care management/coordination, prevention and wellness

# High Risk Pools

- 33 states currently have high risk health insurance pools with several more in development.
- Serve as the guaranteed-issue purchasing option for individuals under HIPAA.
- Various funding methods: premiums, state funding, federal subsidy, insurer assessments and provider assessments.

# Common Structural Elements of State Reinsurance Programs

- Eligibility limited to small businesses (typically 1-50 employees) and the self-employed.
- Provide primary insurance with standard benefit package(s). Often with modified community rating.
- Most states provide excess of loss reinsurance although some offer aggregate stop loss and one state offers both.
- Target low-income individuals and small employers who do not currently offer health coverage.

# HEALTHY WISCONSIN COUNCIL HEALTHCARE GROUP OF ARIZONA REINSURANCE MODEL

Target Population: Small Businesses, Self-Employed, Political Subdivisions



Guaranteed issue offered by contracted HMOs and PPO.  
Community rated premiums based on county, age & gender.  
Cafeteria-style: Each employee can all choose separate plan based on needs & cost.  
Choice of deductible level.  
Preventive care excluded from deductible in all plans.



Funded with Employer and Employee Premiums	CHOICE OF PRIMARY PLAN						
		HMO			Statewide PPO		
		Classic	Secure	Active	Platinum	Gold	Silver
	Deductible options	3	2	1	3/2	3	3
	Covered Services						
	Physician	X	X	X	X	X	X
	Inpatient – medical	X	X	X	X	X	X
	Outpatient – medical	X	X	X	X	X	X
	Maternity	X			X		
Acute ancillary (SNF, HH, dialysis)	X			X			
\$0 preventive care		X		X	X	X	
Inpatient – MH/SA				X			
Outpatient – MH/SA				X			
Formulary tiers	3	3	3	4	3	3	
RX benefit limit	None	None	None	None	\$12,500	\$7,500	



Funded with % of employer and employee paid premiums	REINSURANCE	
	<b>Aggregate Stop Loss</b> Guarantees insurer's year end medical loss ratio between 80-86%	<b>Excess Of Loss</b> 100% coverage of losses between \$50,000 and \$100,000 with reinsurance pool funding. Losses in excess of \$100,00 covered by commercial reinsurance plan purchased by HCG.

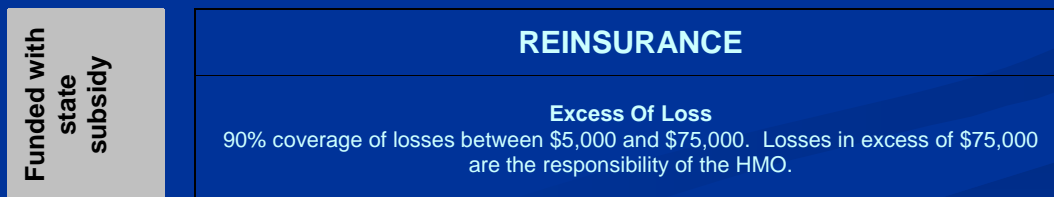
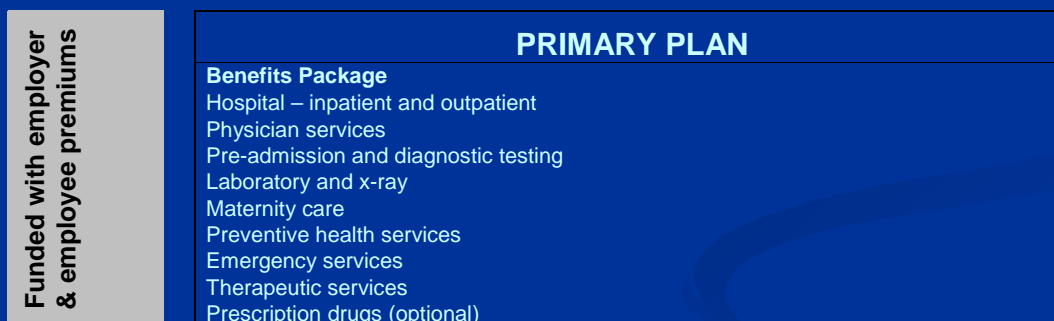


# HEALTHY WISCONSIN COUNCIL HEALTHY NEW YORK REINSURANCE MODEL

Target Population: Small employers, sole proprietors and employees who have not offered or had access to insurance in 12 months.



Guaranteed issue offered by every HMO in state.  
Community rated premiums based on 4 tiers: 1 adult, 2 adult, 1 parent w/children, and family.  
Premiums set by HMO.

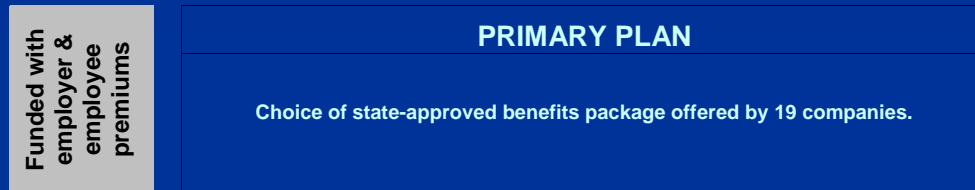


# HEALTHY WISCONSIN COUNCIL CONNECTICUT SMALL EMPLOYER HEALTH REINSURANCE MODEL

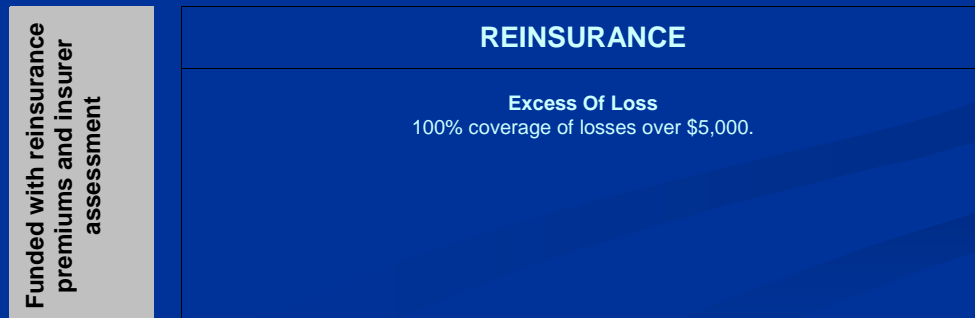
Target Population: Small employers and self-employed individuals.



HMOs and indemnity insurers must offer all their plans on a guaranteed issue basis to small groups and self-employed individuals.  
Modified community rated premiums.



Insurer has option to reinsure an individual, dependent or entire group within 60 days of issuing coverage.  
Insurer may reinsure groups of 1-2 three years after initial issuance.



# HEALTHY WISCONSIN COUNCIL RHODE ISLAND REINSURANCE MODEL

Target Population: Small employers



State will contract with insurers to offer on guaranteed issue basis.  
State Health Insurance Commission must approve premiums.



## SUBSIDIZED POPULATION: LOW-WAGE BUSINESSES

## UNSUBSIDIZED POPULATION

